

# **COUNTY OF MCHENRY, ILLINOIS**

## **REPORT ON FEDERAL AWARDS**

For the Year Ended November 30, 2013

# COUNTY OF MCHENRY

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REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditors' Report

To the Honorable Chairman  
and Members of the County Board  
County of McHenry, Illinois

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of McHenry, Illinois as of and for the year ended November 30, 2013, and the related notes to the financial statements, which collectively comprise the County of McHenry's basic financial statements and have issued our report thereon dated May 9, 2014. Our report includes a reference to other auditors who audited the financial statements of the Public Building Commission and the Conservation District, as described in our report on the County of McHenry's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Public Building Commission and Conservation District were not audited in accordance with *Government Auditing Standards*.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the County of McHenry's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of McHenry's internal control. Accordingly, we do not express an opinion on the effectiveness of the County of McHenry's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To the Honorable Chairman  
and Members of the County Board  
County of McHenry, Illinois

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. These significant deficiencies are items 2013-001, 2013-002, and 2013-003.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the County of McHenry's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***County of McHenry's Response to Findings***

The County of McHenry's responses to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The County of McHenry's response were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Baker Tilly Vichow Krause, LLP*

Chicago, Illinois  
May 9, 2014

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE;  
AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY OMB CIRCULAR A-133

Independent Auditors' Report

To the Honorable Chairman  
and Members of the County Board  
County of McHenry, Illinois

***Report on Compliance for Each Major Federal Program***

We have audited the County of McHenry, Illinois' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County of McHenry's major federal programs for the year ended November 30, 2013. The County of McHenry's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the County of McHenry's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of McHenry's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County of McHenry's compliance.

To the Honorable Chairman  
and Members of the County Board  
County of McHenry, Illinois

### ***Opinion on Each Major Federal Program***

In our opinion, the County of McHenry complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended November 30, 2013.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2013-004, 2013-005, and 2013-006. Our opinion on each major federal program is not modified with respect to these matters.

### ***County of McHenry's Response to Findings***

The County of McHenry's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The County of McHenry's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### ***Report on Internal Control Over Compliance***

Management of the County of McHenry is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County of McHenry's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of McHenry's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2013-004, 2013-005, and 2013-006 that we consider to be significant deficiencies.



To the Honorable Chairman  
and Members of the County Board  
County of McHenry, Illinois

### ***County of McHenry's Response to Findings***

The County of McHenry's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The County of McHenry's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### ***Purpose of this Report***

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

### ***Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133***

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of McHenry, Illinois as of and for the year ended November 30, 2013, and the related notes to the financial statements, which collectively comprise the County of McHenry's basic financial statements. We issued our report thereon dated May 9, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. Our report includes a reference to other auditors who audited the financial statements of the Public Building Commission and the Conservation District, as described in our report on the County of McHenry's financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Baker Tilly Vichaw Krause, LLP*  
Chicago, Illinois  
July 9, 2014

County of McHenry, Illinois  
Schedule of Expenditures of Federal Awards  
Year Ended November 30, 2013

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number		Grant/ Pass-through Grantors' Number	Program or Award Amount	Federal Expenditures
U.S. Department of Agriculture					
Passed through Illinois Department of Human Services					
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC - 2013)	10.557	*	FCSRE01062	\$ 584,620	\$ 356,911
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC - 2014)	10.557	*	FCSSQ01062	643,860	219,925
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC Breastfeeding Peer Counseling - 2013)	10.557	*	FCSRE01156	30,520	16,424
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC Breastfeeding Peer Counseling - 2014)	10.557	*	FCSSQ01156	33,500	10,411
Special Supplemental Nutrition Program for Women, Infants, and Children (Noncash Food Instruments - 2013)	10.557	*	n/a	-	1,172,984
Special Supplemental Nutrition Program for Women, Infants, and Children (Noncash Food Instruments - 2014)	10.557	*	n/a	-	737,747
			10.557 - subtotal	1,292,500	2,514,402
WIC Farmers' Market Nutrition Program - 2013	10.572		FCSRE01244	1,000	975
WIC Farmers' Market Nutrition Program - 2014	10.572		FCSSQ01244	1,000	55
			10.572 - subtotal	2,000	1,030
Total U.S. Department of Agriculture				1,294,500	2,515,432



**County of McHenry, Illinois**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended November 30, 2013**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number		Grant/ Pass-through Grantors' Number	Program or Award Amount	Federal Expenditures
U.S. Department of Housing and Urban Development					
Community Development Block Grant (CDBG) - 2011	14.218	*	B-11-UC-17-0007	\$ 1,189,947	\$ 70,489
Community Development Block Grant (CDBG) - 2012	14.218	*	B-12-UC-17-0007	1,274,467	732,685
Community Development Block Grant (CDBG) - 2013	14.218	*	B-13-UC-17-0007	1,327,276	572,258
Neighborhood Stabilization Program (NSP)	14.218	*	B-08-UN-17-0005	3,085,695	295,700
Neighborhood Stabilization Program (NSP) - Program income	14.218	*	n/a	-	16,228
			14.218 - subtotal	6,877,385	1,687,360
Housing Investment Partnership Program (HOME)					
2007	14.239	*	M-07-UC-17-0219	509,595	20,969
2008	14.239	*	M-08-UC-17-0219	483,766	6,460
2010	14.239	*	M-10-UC-17-0219	532,300	205,366
2011	14.239	*	M-11-UC-17-0219	478,909	356,524
2012	14.239	*	M-12-UC-17-0219	422,911	38,427
			14.239 - subtotal	2,427,481	627,746
<b>Total U.S. Department of Housing and Urban Development</b>				<b>9,304,866</b>	<b>2,315,106</b>
U.S. Department of Justice					
Bureau of Justice Assistance					
State Criminal Alien Assistance Program (SCAAP) - 2010	16.606		n/a	163,531	14,002
State Criminal Alien Assistance Program (SCAAP) - 2011	16.606		n/a	100,820	67,504
			16.606 - subtotal	264,351	81,506
Drug Court Discretionary Grant Program	16.585		2011-DC-BX-0024	305,717	98,718

**County of McHenry, Illinois**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended November 30, 2013**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number		Grant/ Pass-through Grantors' Number	Program or Award Amount	Federal Expenditures
U.S. Department of Justice (Continued)					
Passed through Illinois Criminal Justice Information Authority					
Edward Byrne Memorial Justice Assistance Grant Program - 2013	16.738		410024	\$ 83,394	\$ 83,394
<b>Total U.S. Department of Justice</b>				<b>653,462</b>	<b>263,618</b>
U.S. Department of Labor					
Passed through Illinois Department of Commerce and Economic Opportunity					
Workforce Investment Act					
Trade Adjustment Assistance	17.245	*	11-661002	310,351	277,086
Trade Adjustment Assistance	17.245	*	12-661002	95,030	55,190
			17.245 - subtotal	405,381	332,276
WIA Adult Program - 2011	17.258	@	11-681002	428,660	8,035
WIA Adult Program - (Local Incentive)	17.258	@	10-672002	1,826	1,826
WIA Adult Program - 2012	17.258	@	12-681002	364,733	306,156
WIA Adult Program - (Program Income - 2012)	17.258	@	n/a	-	389
WIA Adult Program - 2013	17.258	@	13-681002	408,457	28,232
			17.258 - subtotal	1,203,676	344,638
WIA Youth Activities - 2011	17.259	@	11-681002	638,920	5,434
WIA Youth Activities - (Local Incentive)	17.259	@	10-672002	2,722	2,722
WIA Youth Activities - 2012	17.259	@	12-681002	571,247	435,376
WIA Youth Activities - (Program Income - 2012)	17.259	@	n/a	-	609
WIA Youth Activities - 2013	17.259	@	13-681002	621,529	184,907
			17.259 - subtotal	1,834,418	629,048

County of McHenry, Illinois  
Schedule of Expenditures of Federal Awards  
Year Ended November 30, 2013

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number		Grant/ Pass-through Grantors' Number	Program or Award Amount	Federal Expenditures
U.S. Department of Labor (Continued)					
Passed through Illinois Department of Commerce and Economic Opportunity (Continued)					
Workforce Investment Act (Continued)					
WIA Dislocated Workers - 2011	17.278	@	11-681002	\$ 918,169	\$ 71,546
WIA Dislocated Workers - (Local Incentive)	17.278	@	10-672002	3,913	3,913
WIA Dislocated Workers - 2012	17.278	@	12-681002	793,218	684,861
WIA Dislocated Workers - (Program Income - 2012)	17.278	@	n/a	-	845
WIA Dislocated Workers - 2013	17.278	@	13-681002	741,031	105,643
WIA Dislocated Workers - (Trade Case Management)	17.278	@	11-653002	265,530	57,143
WIA Dislocated Workers - (Trade Case Management)	17.278	@	12-653002	132,481	119,787
WIA Dislocated Workers - (Trade Case Management)	17.278	@	13-653002	47,353	8,341
			17.278 - subtotal	2,901,695	1,052,079
			WIA Cluster - subtotal	5,939,789	2,025,765
WIA National Emergency Grants - (NEG - Dislocated Worker Training)	17.277		13-671002	120,550	17,189
Passed through Will County, Illinois					
Workforce Innovation Fund - (ATIM)	17.283		ATIM-02	350,000	20,372
Total U.S. Department of Labor				6,815,720	2,395,602
U.S. Department of Transportation					
Passed through Illinois Department of Transportation					
State and Community Highway Safety - (STEP - 2013)	20.600	@	OP-13-020	35,281	35,281

County of McHenry, Illinois  
Schedule of Expenditures of Federal Awards  
Year Ended November 30, 2013

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number		Grant/ Pass-through Grantors' Number	Program or Award Amount	Federal Expenditures
U.S. Department of Transportation (Continued)					
Passed through Illinois Department of Transportation (Continued)					
Child Safety and Child Booster Seats Incentive Grants - (Sheriff - 2013)	20.613	@	OP-13-267	\$ 5,601	\$ 5,601
Child Safety and Child Booster Seats Incentive Grants - (Health Dept - 2013)	20.613	@	OP-13-221	7,305	7,305
			20.613 - subtotal	12,906	12,906
			Highway Safety Cluster - subtotal	48,187	48,187
Passed through Illinois Emergency Management Agency Interagency Hazardous Materials Public Sector Training and Planning Grants - (HMEP - 2013)	20.703		12HMEPMCHE	4,372	3,947
Passed through Chicago Metropolitan Agency for Planning					
Highway Planning and Construction - 2013	20.205		C-13-0007	87,083	56,648
Highway Planning and Construction - 2014	20.205		C-14-0007	95,676	33,905
Highway Planning and Construction - (2040 Planning Grant)	20.205		C-11-0044	200,000	43,730
			20.205 - subtotal	382,759	134,283
Passed through Regional Transportation Authority					
Job Access Reverse Commute - (JARC)	20.516	* @	JARC-2010-08	502,825	230,969
New Freedom Program	20.521	* @	NF-2010-05	302,617	120,097
			Transit Services Programs Cluster - subtotal	805,442	351,066
Total U.S. Department of Transportation				1,240,760	537,483

County of McHenry, Illinois  
Schedule of Expenditures of Federal Awards  
Year Ended November 30, 2013

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Grant/ Pass-through Grantors' Number	Program or Award Amount	Federal Expenditures
U.S. Environmental Protection Agency Passed through Illinois Department of Public Health Performance Partnership Grants - (Potable Water - 2013)	66.605	35382060A	\$ 14,850	\$ 14,850
<b>Total U.S. Environmental Protection Agency</b>			<b>14,850</b>	<b>14,850</b>
U.S. Department of Education Passed through Illinois State Board of Education Special Education - Grants to States - 2013	84.027A	65-108-1080-51	6,545	6,545
<b>Total U.S. Department of Education</b>			<b>6,545</b>	<b>6,545</b>
U.S. Department of Health and Human Services Passed through Illinois Department of Children and Family Services Promoting Safe and Stable Families - (FCS - 2012)	93.556	5430072	6,186	-
Passed through Illinois Department of Public Health Maternal and Child Health Services Block Grant to the States - (Oral Health - 2013)	93.994	33480128A	3,633	2,674
Maternal and Child Health Services Block Grant to the States - (Oral Health - 2014)	93.994	43480129B	4,500	509
Maternal and Child Health Services Block Grant to the States - (Coordinated School Health - 2014)	93.994	46080124B	26,500	13,463
		93.994 - subtotal	34,633	16,646

County of McHenry, Illinois  
Schedule of Expenditures of Federal Awards  
Year Ended November 30, 2013

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Grant/ Pass-through Grantors' Number	Program or Award Amount	Federal Expenditures
U.S. Department of Health and Human Services (Continued)				
Passed through Illinois Department of Public Health (Continued)				
Centers for Disease Control and Prevention-Investigations and Technical Assistance - (Breast & Cervical Cancer - 2013)	93.283	36180021A	\$ 114,927	\$ 70,889
Centers for Disease Control and Prevention-Investigations and Technical Assistance - (Breast & Cervical Cancer - 2014)	93.283	46180020B	115,000	42,913
		93.283 - subtotal	229,927	113,802
Public Health Emergency Preparedness - 2012-2013	93.069	27180060	162,706	3,074
Public Health Emergency Preparedness - (Cities Readiness - 2012 - 2013)	93.069	27180112	84,494	18,905
Public Health Emergency Preparedness - (Risk-Based Funding - 2013)	93.069	37180131A	23,167	23,167
		93.069 - subtotal	270,367	45,146
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements - 2013	93.074	37180060A	182,965	115,297
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements - (Cities Readiness - 2013)	93.074	37180112A	53,691	35,061
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements - 2014	93.074	47180060B	175,437	72,473
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements - (Cities Readiness - 2014)	93.074	47180112B	55,509	18,107
		93.074 - subtotal	467,602	240,938



County of McHenry, Illinois  
Schedule of Expenditures of Federal Awards  
Year Ended November 30, 2013

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Grant/ Pass-through Grantors' Number	Program or Award Amount	Federal Expenditures
U.S. Department of Health and Human Services (Continued)				
Passed through Illinois Department of Public Health (Continued)				
Immunization Grants - (Noncash Assistance)	93.268	n/a	\$ -	\$ 163,373
Immunization Grants - (Vaccines for Children (AFIX) - 2012-2013)	93.268	25180034	35,000	3,117
Immunization Grants - (Vaccines for Children (AFIX) - 2013-2014)	93.268	35180042A	30,000	23,549
		93.268 - subtotal	65,000	190,039
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges - (In-Person Counselor - 2014)	93.525	40180045B	500,000	111,280
PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants - (We Choose Health - 2013)	93.531 *	32180025A	294,017	294,017
PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants - (We Choose Health - 2014)	93.531 *	42180138B	278,810	12,170
		93.531 - subtotal	572,827	306,187
Passed through Illinois Department of Human Services				
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances - (McHenry Co Care & SOC Exp - 2013)	93.104	45CQ081456	80,660	-
Maternal and Child Health Services Block Grant to the States (Coordinated School Health Education - 2013)	93.994	FCSRE01075	26,500	13,057
Social Services Block Grant - (Family Case Management/Downstate - 2013)	93.667	FCSRE01570	37,900	22,355
Social Services Block Grant - (Family Case Management/Downstate - 2014)	93.667	FCSSU03107	37,900	15,115
		93.667 - subtotal	75,800	37,470

County of McHenry, Illinois  
Schedule of Expenditures of Federal Awards  
Year Ended November 30, 2013

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Grant/ Pass-through Grantors' Number	Program or Award Amount	Federal Expenditures
U.S. Department of Health and Human Services (Continued)				
Passed through Illinois Department of Human Services (Continued)				
Child Care and Development Block Grant - (Healthy Child Care Illinois - 2013)	93.575	FCSRI01762	\$ 60,000	\$ 36,538
Child Care and Development Block Grant - (Healthy Child Care Illinois - 2014)	93.575	FCSSI01762	60,000	24,144
		93.575 - subtotal	120,000	60,682
Passed through Illinois Department of Healthcare and Family Services				
Medical Assistance Program - 2012	93.778	n/a	182,331	182,331
Medical Assistance Program - 2013	93.778	n/a	241,431	241,431
		93.778 - subtotal	423,762	423,762
Child Support Enforcement - 2012	93.563	n/a	8,269	8,269
Passed through Illinois Public Health Association				
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance - 2013	93.944	13-142-03	11,000	7,661
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance - 2014	93.944	14-142-03	16,000	1,025
		93.944 - subtotal	27,000	8,686
Passed through Administrative Office of the Illinois Courts				
State Court Improvement Program (CPDC Grant) - FFY13	93.586	CIPData-G-1205	29,063	29,063
<b>Total U.S. Department of Health and Human Services</b>			<b>2,937,596</b>	<b>1,605,027</b>

**County of McHenry, Illinois**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended November 30, 2013**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Grant/ Pass-through Grantors' Number	Program or Award Amount	Federal Expenditures
Corporation For National And Community Service				
Passed through Illinois Department of Human Services				
AmeriCorps - 2013	94.006	FCSRE02065	\$ 57,588	\$ 2,221
AmeriCorps - 2013	94.006	FCSRE01336	58,245	52,511
AmeriCorps - 2014	94.006	FCSRE01336	48,155	25,526
		94.006 - subtotal	163,988	80,258
Total Corporation For National And Community Service			163,988	80,258
Department of Homeland Security				
Passed through Illinois Emergency Management Agency				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	n/a	27,246	27,246
Emergency Management Performance Grants - 2012 - 2013	97.042	12EMAMCHEN	92,333	14,316
Emergency Management Performance Grants - 2013	97.042	13EMAMCHEN	76,987	76,987
		97.042 - subtotal	169,320	91,303
Homeland Security Grant Program - (Citizen Corps Grant)	97.067	11CCPMCHEN	6,540	2,142
Total Department of Homeland Security			203,106	120,691
Total Expenditures of Federal Awards			\$ 22,635,393	\$ 9,854,612

\* Denotes a major program.

@ Denotes a federal program cluster, see note 4 in the notes to schedule of expenditures of federal awards.

## COUNTY OF MCHENRY

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended November 30, 2013

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#### NOTE 1 – BASIS OF PRESENTATION

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The accompanying schedule of expenditures of federal awards (the "schedule") includes the federal grant activity of the County of McHenry under programs of the federal government for the year ended November 30, 2013. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the County of McHenry, it is not intended to and does not present the financial position, changes in net position or cash flows of the County of McHenry.

The County of McHenry is the primary government according to GASB criteria, while the Public Building Commission is a blended component unit, and the Conservation District is a discretely presented component unit.

The Public Building Commission and the Conservation District were not required to have an audit in accordance with OMB Circular A-133.

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#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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Expenditures reported on the schedule are reported on the accrual or modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

The underlying accounting records for some grant programs are maintained on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when susceptible to accrual; i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred. The accounting records for other grant programs are maintained on the accrual basis; i.e., when the revenue has been earned and the liability is incurred.

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#### NOTE 3 – NONCASH PAYMENTS

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The County of McHenry, Illinois receives vaccines at no charge from the Illinois Department of Public Health through federally assisted programs – Immunization Grants (CFDA 93.268). The value of vaccines received during the year ended November 30, 2013 was \$159,313. Of this amount, \$58,836 remained unused, and was included as inventory at November 30, 2013.

The County of McHenry, Illinois receives noncash assistance from the Illinois Department of Human Services under the Special Supplemental Food Program for Women, Infants and Children (WIC – CFDA 10.557), in the form of food instruments, which are distributed to qualifying WIC participants. Total distributions during the year ended November 30, 2013 were \$1,910,731.

## COUNTY OF MCHENRY

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended November 30, 2013

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#### NOTE 4 – FEDERAL PROGRAM CLUSTER

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The following programs have been identified as a cluster in accordance with the requirements of OMB Circular A-133.

CFDA No.	WIA Cluster	
17.258	WIA Adult Programs	\$ 344,638
17.259	WIA Youth Activities	629,048
17.278	WIA Dislocated Workers	<u>1,052,079</u>
	Total	<u>\$ 2,025,765</u>
CFDA No.	Highway Safety Cluster	
20.600	State and Community Highway Safety	\$ 35,281
20.613	Child Safety and Child Booster Seats Incentive Grants	<u>12,906</u>
	Total	<u>\$ 48,187</u>
CFDA No.	Transit Service Program Cluster	
20.516	Job Access-Reverse Commute Program	\$ 230,969
20.521	New Freedom Program	<u>120,097</u>
	Total	<u>\$ 351,066</u>

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#### NOTE 5 – SUBRECIPIENTS

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Of the federal expenditures presented in the schedule of expenditures of federal awards, the County of McHenry provided federal awards to be subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Community Development Block Grant (CDBG)	14.218	\$ 1,135,053
CDBG – Neighborhood Stabilization Program (NSP)	14.218	356
Home Investment Partnership Program (HOME)	14.239	553,077
PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants (We Choose Health)	93.531	189,382
Americorps	94.006	<u>25,248</u>
Total		<u>\$ 1,903,116</u>

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#### NOTE 6 – INSURANCE AND LOANS OR LOAN GUARANTEES

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During the year ended November 30, 2013, McHenry County received no insurance loans, loans, or loan guarantees for the purpose of administering federal programs.

## COUNTY OF MCHENRY

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended November 30, 2013

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#### SECTION I – SUMMARY OF AUDITORS' RESULTS

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##### *FINANCIAL STATEMENTS*

Type of auditors' report issued: **Unmodified**

Internal control over financial reporting:

- > Material weakness(es) identified?             yes        X   no
- > Significant deficiency(ies) identified?        X   yes             none reported

Noncompliance material to financial statements noted?

       yes        X   no

##### *FEDERAL AWARDS*

Internal control over major programs:

- > Material weakness(es) identified?             yes        X   no
- > Significant deficiency(ies) identified?        X   yes             none reported

Type of auditor's report issued on compliance for major programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?

  X   yes             no

Auditee qualified as low-risk auditee?

       yes        X   no

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
14.218	Community Development Block Grant
14.239	Housing Investment Partnership Program
17.245	Trade Adjustment Assistance
20.516, 20.521	Transit Services Programs Cluster
93.531	Community Transformation Grants and National Dissemination and Support for Community Transformation Grants

Dollar threshold used to distinguish between type A and type B programs:

\$ 300,000



## COUNTY OF MCHENRY

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended November 30, 2013

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#### SECTION II – FINANCIAL STATEMENT FINDINGS

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##### ***FINDING 2013-001 – DIVISION OF TRANSPORTATION***

###### **Criteria:**

Statement on Auditing Standards (SAS) 115, *Communicating Internal Control Related Matters Identified During an Audit*, requires auditors to communicate significant deficiencies or material weaknesses in the County's structure of internal control.

###### **Condition:**

One individual in the Division of Transportation department is responsible for preparing and sending invoices, monitoring outstanding receivables, collecting payments, maintaining the receivables system, and depositing collections with the County Treasurer's office.

###### **Cause/Effect:**

Having one person responsible for all of these functions does not allow for adequate segregation of duties.

###### **Recommendation:**

We recommend the County determine how to further segregate these responsibilities or implement additional monitoring controls over these critical areas.

##### ***Management's Response by Joe Korpalski, County Engineer***

The receptionist now records all cash receipts and it is reviewed and reconciled quarterly by someone outside of the cash handling process. We have worked with the Auditor's Office on establishing reconciliation procedures that compare the receptionist's spreadsheet to the County's official accounting system. The Auditor's Office performed the reconciliation for the first quarter and has provided assistance with training the Assistant County Engineer, who is independent of the receivable system, how to perform the review going forward.

##### ***FINDING 2013-002 – PURCHASING PROCESS***

###### **Criteria:**

Statement on Auditing Standards (SAS) 115, *Communicating Internal Control Related Matters Identified During an Audit*, requires auditors to communicate significant deficiencies or material weaknesses in the County's structure of internal control.

###### **Condition:**

Since the 2009 audit, we have recommended that the County consider implementing certain best practices in regards to purchasing in order to standardize procedures throughout the County and improve controls over this critical area.

## COUNTY OF MCHENRY

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended November 30, 2013

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#### SECTION II – FINANCIAL STATEMENT FINDINGS (cont.)

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##### *FINDING 2013-002 – PURCHASING PROCESS* (cont.)

##### **Recommendation:**

These recommendations have included:

- > An approval trail should be required for creation, modification, and cancellation of purchase orders. There should be clear guidance on when approval is required (dollar amount threshold and who should be designated with approval authority). Guidance should also be given to County staff on when a purchase order should be created, modified or cancelled.
- > In addition to requiring an approval trail, the County should identify the types of documents that should be maintained for each purchase order (such as bid results, contracts, board approval, etc.). The County policy should also indicate which department has responsibility for maintaining these documents.
- > Guidance should be given to employees on the dollar amounts to be assigned to a purchase order. For example, should the purchase order be issued for the amount of an invoice, the amount of the project, or the amount to be spent with a vendor for the fiscal year.
- > To monitor the usage of the purchase order system, the County could consider implementing a tracking mechanism to determine the volume and frequency of purchase orders. A useful report may include the number and dollar amount of purchase orders created, modified and cancelled by department during a given period.
- > The County should develop a purchasing manual which would provide instruction to employees on how to navigate the purchasing process within the County. Such a document would provide County staff greater understanding and consistency in implementing the legal requirements contained in the purchasing ordinance on a daily basis.
- > For certain areas where services or goods are commonly procured, the County has entered into cooperative purchasing agreements with vendors. The concept behind these agreements is to take advantage of pooled purchasing efforts with other governments to secure more favorable pricing. While these cooperative purchasing agreements are commonly used, are advantageous to McHenry and other counties throughout the state, and specifically allowed within Article 10 of the Purchasing Ordinance, they do not always guarantee the best price or desired products. We recommend purchasing periodically seek additional competitive bids for these types of purchases to assure that the best price and product is still being obtained when compared to the cooperative purchasing agreements.
- > For items purchased in excess of \$500, there are numerous exceptions as to when the County's purchasing ordinance does not need to be followed. Some elected officials departments are exempt, while others are not. If there is a separate board that governs that department, use of the Purchasing Department is optional. Many other exceptions exist as well. To clarify these situations, provide training, and to serve as an internal audit tool so as to ensure compliance, we recommend a set of guidelines or a flow-chart type of approach be develop to clarify when the Purchasing Department and ordinance would apply, and when it would not. This document should be distributed to other departments and training should be provided.

## COUNTY OF MCHENRY

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended November 30, 2013

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#### SECTION II – FINANCIAL STATEMENT FINDINGS (cont.)

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##### ***FINDING 2013-002 – PURCHASING PROCESS (cont.)***

###### **Cause/Effect:**

The County is in the process of developing a purchasing guide that is expected to address the items noted above, among others. A task force has been developed and meetings are held on a regular basis. In addition, consideration is being given to utilizing a contract maintenance function within the County's procurement system. Formalization of this policy and training related to it are anticipated during 2014.

###### ***Management's Response by Donald Gray, Purchasing Director***

The Purchasing Task Force is in its final stages of editing the current Purchasing Ordinance. The draft was issued to all Department Heads for their review and at the last Department Head meeting on March 21, 2014. The State's Attorney Office was available to answer any questions pertaining to their opinion. The Purchasing Task Force is now preparing a final draft to be presented to the Management Services Committee for their review. Once approved by this committee, it will be presented to the full County Board with a Resolution to accept all changes and a recommendation to review the ordinance every couple of years to keep current with any changes in state statutes or laws. A Purchasing Guide will be issued after County Board approval of the ordinance. The guide will incorporate all of the recommendations by the external auditors. At that time, it is the intention of the Purchasing Department to schedule meetings with County Departments to go over the ordinance and guide book and answer all questions, so a smooth transition will be accomplished. The expected completion time for this project is by the end of the third quarter of 2014.

##### ***FINDING 2013-003 – VENDOR APPROVAL***

###### **Criteria:**

Statement on Auditing Standards (SAS) 115, *Communicating Internal Control Related Matters Identified During an Audit*, requires auditors to communicate significant deficiencies or material weaknesses in the County's structure of internal control.

###### **Condition:**

In prior years, we noted that the County does not have a formalized process for vendor approval.

###### **Cause/Effect:**

A vendor maintenance policy is not currently in place, therefore, the County is exposed to risks associated with vendor payments.

###### **Recommendation:**

There should be a formalized process and documented control to assure the validity of all new vendors. Over the last several years, the County has made progress towards reducing the risks associated with duplicate vendors by identifying and eliminating them within the financial system. In addition, a vendor maintenance policy is being developed that will include procedures for establishing new vendors, maintaining the vendor's list, and other user responsibilities. We recommend this policy be finalized, adopted, and utilized to assure the validity of new vendors.

## COUNTY OF MCHENRY

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended November 30, 2013

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#### SECTION II – FINANCIAL STATEMENT FINDINGS (cont.)

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##### *FINDING 2013-003 – VENDOR APPROVAL (cont.)*

###### ***Management's Response by Pam Palmer, County Auditor***

A McHenry County Vendor Maintenance Policy and Procedures manual has been completed and will be provided to all departments. This manual will be presented in conjunction with the Purchasing Department meetings to review the forthcoming Purchasing Ordinance and the Purchasing Guide. Information in the manual includes definitions, new and changed vendor request steps, documentation requirements and verification, the vendor approval process, independent contractor determination, and retention and purging of vendor information. This entire process for the Policy and Procedures adoption, as well as dissemination to the vendor system users, will be completed by the third quarter of 2014.

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#### SECTION III – FEDERAL FINDINGS AND QUESTIONED COSTS

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##### ***FINDING 2013-004 – COMMUNITY DEVELOPMENT BLOCK GRANTS (CDBG), CFDA No. 14.218; HOUSING INVESTMENT PARTNERSHIP PROGRAM (HOME), CFDA No. 14.239***

###### **Criteria:**

Payroll expenditures charged to federal grants must be in accordance with the requirements of Circular A-87, *Cost Principles of State and Local Governments*. Per Circular A-87, when employees work solely on a single federal award, the charges for those employees must be supported by semi-annual certifications signed by the employee or supervisory official, which state that the employee worked solely on that program for the period covered by the certification. When employees work on multiple activities, grants, or cost objectives, the payroll expenditures charged to the grant must be supported by personnel activity reports which reflect an after the fact distribution of the actual activity of each employee. These reports must account for the total activity for which each employee is compensated, must be prepared at least monthly and coincide with one or more pay periods, and must be signed by the employees. Budgeted allocations may not be used to allocate salary costs to federal grants unless the County performs at least quarterly time studies to determine that the budgeted allocations coincide with actual activity. If the actual activity differs from the budgeted allocation by ten percent or more, the County must make adjustments to its payroll cost allocations.

###### **Condition/Context:**

Payroll expenditures were allocated to the various federal grants based upon budgeted percentages. During 2012, the County implemented a system for tracking payroll charged to federal grants; however, after reviewing the first 4 payroll expenditures selected for testing, we noted that the County was not following the Circular A-87 requirements. Our 2013 testing resulted in transactions selected where the County was unable to provide the supporting timecards, personnel activity reports or time study to support the payroll allocation.

## COUNTY OF MCHENRY

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended November 30, 2013

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#### SECTION III – FEDERAL FINDINGS AND QUESTIONED COSTS (cont.)

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***FINDING 2013-004 – CDBG – ENTITLEMENT GRANTS, CFDA No. 14.218; HOUSING INVESTMENT PARTNERSHIP PROGRAM (HOME), CFDA No. 14.239 (cont.)***

**Effect:**

It is possible that the payroll expenditures allocated to the grant are not reflective of the actual time spent on grant activities.

**Questioned Costs:**

Questioned costs are not able to be determined.

**Cause:**

It was noted that this deficiency, as reported in past audits, was partially corrected during the year; however, time sheet records by project/program were not available for all payroll expenditures. The department administering the grant did not maintain the proper documentation to support these expenditures.

**Recommendation:**

During our prior year audit, we recommended that the County review its policies and procedures by which it is allocating payroll expenditures to the various federal grants to ensure they are compliant with the requirements noted in OMB Circular A-87. This recommendation continues to apply.

***Management's Response by Jeffrey Harris, Community Development Administrator***

The County has reviewed time allocations for 2013 and concurs that time tracking processes contained procedural gaps that caused lack of evidence to determine accuracy in reporting. New procedures will be instituted to add additional controls over the submittal and approval of time records for each eligible project and program. Time sheets tracking hours spent working on a project will now be submitted and signed by both the employee and the supervisor at the same time each Friday or on the last day of work for that week. The time sheet is reviewed at the time of signing for correctness and to ensure the proper allocation of hours to the correct project. These time sheets will then be submitted to the Office Manager as a further check to ensure that all time sheets are present and verify that they have been correctly entered into the payroll system.

***FINDING 2013-005 – HOUSING INVESTMENT PARTNERSHIP PROGRAM (HOME), CFDA No. 14.239***

**Criteria:**

Per the OMB Compliance Supplement 24, CFR Sections 92.208 through 92.202 and 92.508, each participating jurisdiction must provide eligible matching contributions of 25% of HOME funds drawn down during the fiscal year. Participating jurisdictions are required to maintain records including individual project records and a running log, demonstrating compliance with the matching requirements, including the type and amount of contribution by project, and provide this on the HOME Match Report (HUD-4P1107-A).

## COUNTY OF MCHENRY

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended November 30, 2013

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#### SECTION III – FEDERAL FINDINGS AND QUESTIONED COSTS (cont.)

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##### ***FINDING 2013-005 – HOUSING INVESTMENT PARTNERSHIP PROGRAM (HOME), CFDA No. 14.239 (cont.)***

###### **Condition/Context:**

The client incorrectly recorded the section of the HOME Match Report which details the actual match contributed amounts made during FY2013 by recording the Match liability (25% of the project expenditures), which was \$142,034 less than the actual amount contributed. However, it was noted the total amount of actual contributions was correctly recorded at the top of the form; only the detail was misrecorded.

###### **Effect:**

Incorrectly documenting the actual match contributions resulted in errors in the report.

###### **Questioned Costs:**

None noted.

###### **Cause:**

The HOME Match Report was not accurately reviewed prior to submission.

###### **Recommendation:**

The County should ensure that any reports submitted to grantor agencies are subject to a review for accuracy and approval procedures prior to submission.

##### ***Management's Response by Jeffrey Harris, Community Development Administrator***

This finding points out a clerical error that occurred in a report. The finding notes that the correct overall amount of contribution was reported, only that the detail entry of the contribution was incorrect. The correct procedures are in place to address this finding that requires that both the person entering the data and the Community Development division Administrator review the report for accuracy before it is submitted. Closer scrutiny will be given to entries in future reports to ensure their accuracy. The reviews are documented on the Division's Report Review forms and the Division's Administrator signs the form prior to submittal to HUD. Furthermore, reports are recalculated to ensure they are mathematically accurate.

##### ***FINDING 2013-006 – HOUSING INVESTMENT PARTNERSHIP PROGRAM (HOME), CFDA No. 14.239***

###### **Criteria:**

The requirements for procurement are contained in the A-102 Common Rule, program legislation, 2 CFR part 176, awarding agency regulations, and the terms and conditions of the award. To minimize the risk of errors, internal controls should be in place for all federal program compliance requirements, including preparing documentation evidencing that the County verified each vendor was not on the debarred and suspended vendor list found at [www.sam.gov](http://www.sam.gov).



## COUNTY OF MCHENRY

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended November 30, 2013

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#### SECTION III – FEDERAL FINDINGS AND QUESTIONED COSTS (cont.)

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##### *FINDING 2013-006 – HOUSING INVESTMENT PARTNERSHIP PROGRAM (HOME), CFDA No. 14.239 (cont.)*

###### **Condition/Context:**

A sample of expenditures was tested for review of the debarred or suspended vendor list. The County could not provide documentation evidencing this review.

###### **Effect:**

Based on our conversations with Community Development department staff, we were told this procedure is being completed; however, we were unable to view file evidence of this.

###### **Questioned Costs:**

Questioned costs are not able to be determined.

###### **Cause:**

Documentation evidencing that the County verified that vendors were not suspended or debarred was not available in each file. The department administering the grant did not provide the appropriate support in the project file to document verification.

###### **Recommendation:**

We recommend that the County establish written procedures and maintain documentation in each procurement file to show that this process is being completed.

##### ***Management's Response by Jeffrey Harris, Community Development Administrator***

McHenry County already checks that each recipient of a grant award from the County is not on the debarred and suspended vendor list prior to entering into a contract with that recipient. The County recently changed its contract requirements with the recipient to require that they acknowledge and comply with the suspended or debarred list in any agreement they may have with a sub-grantee or vendor. Compliance with this requirement was checked during the monitoring of the award conducted by staff. Failure by either the award recipient or one of the sub-grantees or vendors to comply with the suspended or debarred list would result in forfeiture and repayment of the grant award to the County by the recipient.

Going forward the County will require the recipient to submit a list of all sub-grantees and vendors involved in a project prior to signing a contract with the recipient. This will allow the County to check and ensure that none of the sub-grantees or vendors is on the suspended or debarred list. When a request for funds is submitted by the recipient, the County will check to ensure that all of the sub-grantees and vendors listed in the request have already been checked against the suspended or debarred list prior to issuance of the funds. If a sub-grantee or vendor has not been previously approved, they will be checked against the debarred list before funds are awarded. Documentation of the County's review will be maintained in each project file. Project files will be reviewed semiannually to ensure verification of vendors is completed.

PAMELA PALMER  
County Auditor

JAMES BERNIER, CPA, CPFO  
Financial Reporting Manager/  
Chief Deputy Auditor

OFFICE OF  
**THE COUNTY AUDITOR**

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
November 30, 2013

**FINDING 2012-5 – CDBG – ENTITLEMENT GRANTS , CFDA NO. 14.218; HOUSING INVESTMENT PARTNERSHIP PROGRAM (HOME), CFDA NO. 14.239**

**Criteria:**

Payroll expenditures charged to federal grants must be in accordance with the requirements of Circular A-87, Cost Principles of State and Local Governments. Per Circular A-87, when employees work solely on a single federal award, the charges for those employees must be supported by semi-annual certifications signed by the employee or supervisory official, which state that the employee worked solely on that program for the period covered by the certification. When employees work on multiple activities, grants, or cost objectives, the payroll expenditures charged to the grant must be supported by personnel activity reports which reflect an after the fact distribution of the actual activity of each employee. These reports must account for the total activity for which each employee is compensated, must be prepared at least monthly and coincide with one or more pay periods, and must be signed by the employees. Budgeted allocations may not be used to allocate salary costs to federal grants unless the County performs at least quarterly time studies to determine that the budgeted allocations coincide with actual activity. If the actual activity differs from the budgeted allocation by ten percent or more, the County must make adjustments to its payroll cost allocations.

**Condition:**

From January to April 2012, payroll expenditures were allocated to the various federal grants based upon budgeted percentages. The County did not validate these percentages with timecards , personnel activity reports, or time studies.

**Effect:**

It is possible that the payroll expenditures allocated to the grant are not reflective of the actual time spent on grant activities.

**Recommendation:**

During our prior year audit, we recommended that the County review its policies and procedures by which it is allocating payroll expenditures to the various federal grants to ensure they are compliant with the requirements noted in OMB Circular A-87. The County was able to resolve this issue in April 2012 after our reported prior year finding; however, the deficiency existed during part of 2012 until the changes were implemented.

**FINDING 2012-5 – CDBG – ENTITLEMENT GRANTS , CFDA NO. 14.218; HOUSING INVESTMENT PARTNERSHIP PROGRAM (HOME), CFDA NO. 14.239 (Continued)**

**Questioned Costs:**

Questioned costs are not able to be determined.

**Corrective Action Taken During Fiscal Year 2013**

As indicated previously, the Community Development Division initiated new time sheet records in April of 2012 that addresses this issue. The Community Development Division is continuing to utilize time sheet records to keep track of time spent on projects and has instituted a review process to monitor the records in order to make revisions to the time keeping as changes in projects warrant.

**FINDING 2012-6 – WIC – SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN, CFDA NO. 10.557**

**Criteria:**

Individuals served under the WIC program must meet eligibility requirement of having a nutritional risk. One of the nutritional risk factors is anemia; and as such, hematological tests for anemia must be performed. A hematological test for anemia must be reported or documented at certification if the applicant has no nutritional risk factor other than anemia. Other certified applicants with qualifying nutritional risks other than anemia must be tested for anemia within ninety days of certification. Children are allowed to be certified for a period of one year if the State agency ensures that the child receives the required health and nutrition assessments.

**Conditions:**

Of the forty participants selected for eligibility testing, two did not properly receive an anemia test within 90 days of certification. The two exceptions were both children between the ages of 1 and 5.

**Effect:**

The required hematological test was not performed.

**Recommendation:**

We recommend that the County should have systems in place to ensure that hematological tests are performed as required. The County may consider providing additional training to staff to ensure hematological tests are offered if required.

**Questioned Costs:**

None noted.

**FINDING 2012-6 – WIC – SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN, CFDA NO. 10.557 (Continued)**

**Corrective Action Taken During Fiscal Year 2013**

An Anthropometric Log was implemented 6/2013 and is currently in use. The form serves a two-fold purpose: (1) it provides a place to document hemoglobin values in a WIC client chart and (2) it serves as a quick way to see when the next hemoglobin test needs to be performed since the form is located on the top of the chart.

At the recent Illinois WIC Program Management Evaluation/Quality Assurance site review conducted 12/2013, client records were randomly reviewed by the Regional Nutritionists for biochemical assessment (including hemoglobin). All records were found to be in compliance.

**FINDING 2012-7 – CDBG – ENTITLEMENT GRANTS CLUSTER – CFDA NO. 14.218 AND 14.253 (ARRA), HOME – HOUSING INVESTMENT PARTNERSHIP PROGRAM – CFDA NO. 14.239**

**Criteria:**

The requirements for procurement are contained in the A-102 Common Rule, program legislation, 2 CFR part 176, awarding agency regulations, and the terms and conditions of the award. To minimize the risk of errors, internal controls should be in place for all federal program compliance requirements, including preparing documentation evidencing that the county verified each vendor was not on the debarred and suspended vendor list found at [www.sam.gov](http://www.sam.gov).

**Condition:**

A sample of expenditures was tested for review of the debarred or suspended vendor list. The county could not provide documentation evidencing this review.

**Effect:**

Based on our conversations with Community Development department staff, we were told this procedure is being completed; however, we were unable to view file evidence of this.

**Recommendation:**

We recommend that the County establish written procedures and maintain documentation in each procurement file to show that this process is being completed.

**Questioned Costs:**

Questioned costs are not able to be determined.

**Corrective Action Taken During Fiscal Year 2013**

The Community Development Division created written procedures for the procurement process, including a list for the inclusion of potential suspended vendors, last year. Currently there are no entities on the proscribed list. Upon submittal, each written application is reviewed by staff for compliance with the procurement process and use of any proscribed vendors. Only those applications that exhibit that they have followed all of the requirements are considered for the awarding of a grant. Once entered into contract, the findings of the staff review concerning compliance and use of vendors are kept on file with the project information.

**FINDING 2012-8 – DOT – TRANSIT SERVICES PROGRAMS CLUSTER - CFDA NO. 20.516 AND 20.521**

**Criteria:**

The requirements for cash management are contained in the A-102 Common Rule, treasury regulations at 31 CFR part 205, program legislation, awarding agency regulations, and the terms and conditions of the award. Those regulations require that when awards are funded on a reimbursement basis, the costs for which reimbursement was requested must be paid prior to the date of the reimbursement request.

**Condition:**

It was noted that of the 10 reimbursement requests made during 2012, three requests were done with errors resulting in additional funding being reimbursed from the Regional Transportation Authority (RTA) to the County.

**Effect:**

The reimbursement requests are not an accurate display of allowable expenditures; thus, the County received excess funding.

**Recommendation:**

We recommend the County establish additional procedures to ensure proper reimbursement methods are being followed. However, it was noted that subsequent to year-end, the County implemented processing methods that they believe will avoid this error in the future.

**Questioned Costs:**

The amount of reimbursements that exceeded eligible costs totaled \$44,334. We understand the County sent a letter to RTA on May 10, 2013 to adjust subsequent reimbursement requests by this amount.

**Corrective Action Taken During Fiscal Year 2013**

The error that occurred was discovered and corrected by the McHenry County Division of Transportation (MCDOT) staff prior to this audit. MCDOT uses the following quality control and assurance measures for the MCRide federal grant processing:

1. Pace invoice amounts are verified by MCDOT staff by adding up the cost components and checking the cost per hour calculations.
2. MCDOT staff completes MCRide service reporting template created by and provided by the Regional Transportation Authority (RTA).
3. MCDOT staff submits draft requests to staff at the RTA for preapproval. This information includes standard cover letter, standard reimbursement request form, the service reporting template, Pace invoice, and Pace service back-up information.
4. Upon preapproval from RTA staff, MCDOT staff transmits the request to a specific e-mail address at the RTA.

**FINDING 2012-9 – WIC – SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN, CFDA NO. 10.557**

**Criteria:**

Payroll expenditures charged to federal grants must be in accordance with the requirements of Circular A-87, Cost Principles of State and Local Governments. Per Circular A-87, when employees work solely on a single federal award, the charges for those employees must be supported by semi-annual certifications signed by the employee or supervisory official, which state that the employee worked solely on that program for the period covered by the certification. When employees work on multiple activities, grants, or cost objectives, the payroll expenditures charged to the grant must be supported by personnel activity reports which reflect an after the fact distribution of the actual activity of each employee. These reports must account for the total activity for which each employee is compensated, must be prepared at least monthly and coincide with one or more pay periods, and must be signed by the employees. Budgeted allocations may not be used to allocate salary costs to federal grants unless the County performs at least quarterly time studies to determine that the budgeted allocations coincide with actual activity. If the actual activity differs from the budgeted allocation by ten percent or more, the County must make adjustments to its payroll cost allocations.

**Condition:**

Of a sample of 40 expenditures, we noted that one employee charged to a payroll claimed under the grant did not have a related time and effort report or substitute documentation to comply with OMB Circular A-87.

**Effect:**

It is possible that the payroll expenditures allocated to the grant are not reflective of the actual time spent on grant activities.

**Recommendation:**

The County should have systems in place to ensure compliance with the requirements of OMB Circular A-87.

**Questioned Costs:**

Questioned costs are not able to be determined.

**Corrective Action Taken During Fiscal Year 2013**

Staff was informed on 5/29/2013 that time and effort report completion is a requirement for all staff members paid by the grant. Daily Activity Logs are compiled on a quarterly basis by all staff who are paid by the WIC grant and submitted to the coordinator. The logs are verified for accuracy of time and effort, initialed and then forwarded to the Fiscal unit who scans them into the OnBase system which can be retrieved for review.



PAMELA PALMER  
County Auditor

JAMES BERNIER, CPA,  
CPFO  
Financial Reporting  
Manager/Chief Deputy  
Auditor

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**CORRECTIVE ACTION PLAN**  
November 30, 2013

**FINDING 2013-001 – DIVISION OF TRANSPORTATION**

**Criteria:**

Statement on Auditing Standards (SAS) 115, *Communicating Internal Control Related Matters Identified During an Audit*, requires auditors to communicate significant deficiencies or material weaknesses in the County's structure of internal control.

**Condition:**

One individual in the Division of Transportation department is responsible for preparing and sending invoices, monitoring outstanding receivables, collecting payments, maintaining the receivables system, and depositing collections with the County Treasurer's office.

**Cause/Effect:**

Having one person responsible for all of these functions does not allow for adequate segregation of duties.

**Recommendation:**

We recommend the County determine how to further segregate these responsibilities or implement additional monitoring controls over these critical areas.

**Management's Response by Joe Korpalski - County Engineer**

The receptionist now records all cash receipts and it is reviewed and reconciled quarterly by someone outside of the cash handling process. We have worked with the Auditor's Office on establishing reconciliation procedures that compare the receptionist's spreadsheet to the County's official accounting system. The Auditor's Office performed the reconciliation for the first quarter and has provided assistance with training the Assistant County Engineer, who is independent of the receivable system, how to perform the review going forward.

**FINDING 2013-002 – PURCHASING PROCESS**

**Criteria:**

Statement on Auditing Standards (SAS) 115, *Communicating Internal Control Related Matters Identified During an Audit*, requires auditors to communicate significant deficiencies or material weaknesses in the County's structure of internal control.

**Condition:**

Since the 2009 audit, we have recommended that the County consider implementing certain best practices in regards to purchasing in order to standardize procedures throughout the County and improve controls over this critical area.

**Recommendation:**

These recommendations have included:

- > An approval trail should be required for creation, modification, and cancellation of purchase orders. There should be clear guidance on when approval is required (dollar amount threshold and who should be designated with approval authority). Guidance should also be given to County staff on when a purchase order should be created, modified or cancelled.
- > In addition to requiring an approval trail, the County should identify the types of documents that should be maintained for each purchase order (such as bid results, contracts, board approval, etc.). The County policy should also indicate which department has responsibility for maintaining these documents.
- > Guidance should be given to employees on the dollar amounts to be assigned to a purchase order. For example, should the purchase order be issued for the amount of an invoice, the amount of the project, or the amount to be spent with a vendor for the fiscal year.
- > To monitor the usage of the purchase order system, the County could consider implementing a tracking mechanism to determine the volume and frequency of purchase orders. A useful report may include the number and dollar amount of purchase orders created, modified and cancelled by department during a given period.
- > The County should develop a purchasing manual which would provide instruction to employees on how to navigate the purchasing process within the County. Such a document would provide County staff greater understanding and consistency in implementing the legal requirements contained in the purchasing ordinance on a daily basis.
- > For certain areas where services or goods are commonly procured, the County has entered into cooperative purchasing agreements with vendors. The concept behind these agreements is to take advantage of pooled purchasing efforts with other governments to secure more favorable pricing. While these cooperative purchasing agreements are commonly used, are advantageous to McHenry and other counties throughout the state, and specifically allowed within Article 10 of the Purchasing Ordinance, they do not always guarantee the best price or desired products. We recommend purchasing periodically seek additional competitive bids for these types of purchases to assure that the best price and product is still being obtained when compared to the cooperative purchasing agreements.

**FINDING 2013-002 – PURCHASING PROCESS (Continued)**

- > For items purchased in excess of \$500, there are numerous exceptions as to when the County's purchasing ordinance does not need to be followed. Some elected officials departments are exempt, while others are not. If there is a separate board that governs that department, use of the Purchasing Department is optional. Many other exceptions exist as well. To clarify these situations, provide training, and to serve as an internal audit tool so as to ensure compliance, we recommend a set of guidelines or a flow-chart type of approach be develop to clarify when the Purchasing Department and ordinance would apply, and when it would not. This document should be distributed to other departments and training should be provided.

**Cause/Effect:**

The County is in the process of developing a purchasing guide that is expected to address the items noted above, among others. A task force has been developed and meetings are held on a regular basis. In addition, consideration is being given to utilizing a contract maintenance function within the County's procurement system. Formalization of this policy and training related to it are anticipated during 2014.

**Management's Response by Donald Gray, Purchasing Director**

The Purchasing Task Force is in its final stages of editing the current Purchasing Ordinance. The draft was issued to all Department Heads for their review and at the last Department Head meeting on March 21, 2014. The State's Attorney Office was available to answer any questions pertaining to their opinion. The Purchasing Task Force is now preparing a final draft to be presented to the Management Services Committee for their review. Once approved by this committee, it will be presented to the full County Board with a Resolution to accept all changes and a recommendation to review the ordinance every couple of years to keep current with any changes in state statutes or laws. A Purchasing Guide will be issued after County Board approval of the ordinance. The guide will incorporate all of the recommendations by the external auditors. At that time, it is the intention of the Purchasing Department to schedule meetings with County Departments to go over the ordinance and guide book and answer all questions, so a smooth transition will be accomplished. The expected completion time for this project is by the end of the third quarter of 2014.

**FINDING 2013-003 – VENDOR APPROVAL**

**Criteria:**

Statement on Auditing Standards (SAS) 115, *Communicating Internal Control Related Matters Identified During an Audit*, requires auditors to communicate significant deficiencies or material weaknesses in the County's structure of internal control.

**Condition:**

In prior years, we noted that the County does not have a formalized process for vendor approval.

**Cause/Effect:**

A vendor maintenance policy is not currently in place, therefore, the County is exposed to risks associated with vendor payments.

**FINDING 2013-003 – VENDOR APPROVAL (Continued)**

**Recommendation:**

There should be a formalized process and documented control to assure the validity of all new vendors. Over the last several years, the County has made progress towards reducing the risks associated with duplicate vendors by identifying and eliminating them within the financial system. In addition, a vendor maintenance policy is being developed that will include procedures for establishing new vendors, maintaining the vendor's list, and other user responsibilities. We recommend this policy be finalized, adopted, and utilized to assure the validity of new vendors.

**Management's Response by Pam Palmer, County Auditor**

A McHenry County Vendor Maintenance Policy and Procedures manual has been completed and will be provided to all departments. This manual will be presented in conjunction with the Purchasing Department meetings to review the forthcoming Purchasing Ordinance and the Purchasing Guide. Information in the manual includes definitions, new and changed vendor request steps, documentation requirements and verification, the vendor approval process, independent contractor determination, and retention and purging of vendor information. This entire process for the Policy and Procedures adoption, as well as dissemination to the vendor system users, will be completed by the third quarter of 2014.

**FINDING 2013-004 – COMMUNITY DEVELOPMENT BLOCK GRANTS (CDBG), CFDA No. 14.218; HOUSING INVESTMENT PARTNERSHIP PROGRAM (HOME), CFDA No. 14.239**

**Criteria:**

Payroll expenditures charged to federal grants must be in accordance with the requirements of Circular A-87, *Cost Principles of State and Local Governments*. Per Circular A-87, when employees work solely on a single federal award, the charges for those employees must be supported by semi-annual certifications signed by the employee or supervisory official, which state that the employee worked solely on that program for the period covered by the certification. When employees work on multiple activities, grants, or cost objectives, the payroll expenditures charged to the grant must be supported by personnel activity reports which reflect an after the fact distribution of the actual activity of each employee. These reports must account for the total activity for which each employee is compensated, must be prepared at least monthly and coincide with one or more pay periods, and must be signed by the employees. Budgeted allocations may not be used to allocate salary costs to federal grants unless the County performs at least quarterly time studies to determine that the budgeted allocations coincide with actual activity. If the actual activity differs from the budgeted allocation by ten percent or more, the County must make adjustments to its payroll cost allocations.

**Condition:**

Payroll expenditures were allocated to the various federal grants based upon budgeted percentages. During 2012, the County implemented a system for tracking payroll charged to federal grants; however, after reviewing the first 4 payroll expenditures selected for testing, we noted that the County was not following the Circular A-87 requirements. Our 2013 testing resulted in transactions selected where the County was unable to provide the supporting timecards, personnel activity reports or time study to support the payroll allocation.

**FINDING 2013-004 – CDBG – ENTITLEMENT GRANTS, CFDA No. 14.218; HOUSING INVESTMENT PARTNERSHIP PROGRAM (HOME), CFDA No. 14.239 (Continued)**

**Effect:**

It is possible that the payroll expenditures allocated to the grant are not reflective of the actual time spent on grant activities.

**Questioned Costs:**

Questioned costs are not able to be determined.

**Cause:**

It was noted that this deficiency, as reported in past audits, was partially corrected during the year; however, time sheet records by project/program were not available for all payroll expenditures. The department administering the grant did not maintain the proper documentation to support these expenditures.

**Recommendation:**

During our prior year audit, we recommended that the County review its policies and procedures by which it is allocating payroll expenditures to the various federal grants to ensure they are compliant with the requirements noted in OMB Circular A-87. This recommendation continues to apply.

**Management's Response by Jeffrey Harris, Community Development Administrator**

The County has reviewed time allocations for 2013 and concurs that time tracking processes contained procedural gaps that caused lack of evidence to determine accuracy in reporting. New procedures will be instituted to add additional controls over the submittal and approval of time records for each eligible project and program. Time sheets tracking hours spent working on a project will now be submitted and signed by both the employee and the supervisor at the same time each Friday or on the last day of work for that week. The time sheet is reviewed at the time of signing for correctness and to ensure the proper allocation of hours to the correct project. These time sheets will then be submitted to the Office Manager as a further check to ensure that all time sheets are present and verify that they have been correctly entered into the payroll system.

**FINDING 2013-005 – HOUSING INVESTMENT PARTNERSHIP PROGRAM (HOME), CFDA No. 14.239**

**Criteria:**

Per the OMB Compliance Supplement 24, CFR Sections 92.208 through 92.202 and 92.508, each participating jurisdiction must provide eligible matching contributions of 25% of HOME funds drawn down during the fiscal year. Participating jurisdictions are required to maintain records including individual project records and a running log, demonstrating compliance with the matching requirements, including the type and amount of contribution by project, and provide this on the HOME Match Report (HUD-4P1107-A).

**FINDING 2013-005 – HOUSING INVESTMENT PARTNERSHIP PROGRAM (HOME), CFDA No. 14.239  
(Continued)**

**Condition:**

The client incorrectly recorded the section of the HOME Match Report which details the actual match contributed amounts made during FY2013 by recording the Match liability (25% of the project expenditures), which was \$142,034 less than the actual amount contributed. However, it was noted the total amount of actual contributions was correctly recorded at the top of the form; only the detail was misrecorded.

**Effect:**

Incorrectly documenting the actual match contributions resulted in errors in the report.

**Questioned Costs:**

None noted.

**Cause:**

The HOME Match Report was not accurately reviewed prior to submission.

**Recommendation:**

The County should ensure that any reports submitted to grantor agencies are subject to a review for accuracy and approval procedures prior to submission.

**Management's Response by Jeffrey Harris, Community Development Administrator**

This finding points out a clerical error that occurred in a report. The finding notes that the correct overall amount of contribution was reported, only that the detail entry of the contribution was incorrect. The correct procedures are in place to address this finding that requires that both the person entering the data and the Community Development division Administrator review the report for accuracy before it is submitted. Closer scrutiny will be given to entries in future reports to ensure their accuracy. The reviews are documented on the Division's Report Review forms and the Division's Administrator signs the form prior to submittal to HUD. Furthermore, reports are recalculated to ensure they are mathematically accurate.

**FINDING 2013-006 – HOUSING INVESTMENT PARTNERSHIP PROGRAM (HOME), CFDA No. 14.239**

**Criteria:**

The requirements for procurement are contained in the A-102 Common Rule, program legislation, 2 CFR part 176, awarding agency regulations, and the terms and conditions of the award. To minimize the risk of errors, internal controls should be in place for all federal program compliance requirements, including preparing documentation evidencing that the County verified each vendor was not on the debarred and suspended vendor list found at [www.sam.gov](http://www.sam.gov).

**FINDING 2013-006 – HOUSING INVESTMENT PARTNERSHIP PROGRAM (HOME), CFDA No. 14.239  
(Continued)**

**Condition:**

A sample of expenditures was tested for review of the debarred or suspended vendor list. The County could not provide documentation evidencing this review.

**Effect:**

Based on our conversations with Community Development department staff, we were told this procedure is being completed; however, we were unable to view file evidence of this.

**Questioned Costs:**

Questioned costs are not able to be determined.

**Cause:**

Documentation evidencing that the County verified that vendors were not suspended or debarred was not available in each file. The department administering the grant did not provide the appropriate support in the project file to document verification.

**Recommendation:**

We recommend that the County establish written procedures and maintain documentation in each procurement file to show that this process is being completed.

**Management's Response by Jeffrey Harris, Community Development Administrator**

McHenry County already checks that each recipient of a grant award from the County is not on the debarred and suspended vendor list prior to entering into a contract with that recipient. The County recently changed its contract requirements with the recipient to require that they acknowledge and comply with the suspended or debarred list in any agreement they may have with a sub-grantee or vendor. Compliance with this requirement was checked during the monitoring of the award conducted by staff. Failure by either the award recipient or one of the sub-grantees or vendors to comply with the suspended or debarred list would result in forfeiture and repayment of the grant award to the County by the recipient.

Going forward the County will require the recipient to submit a list of all sub-grantees and vendors involved in a project prior to signing a contract with the recipient. This will allow the County to check and ensure that none of the sub-grantees or vendors is on the suspended or debarred list. When a request for funds is submitted by the recipient, the County will check to ensure that all of the sub-grantees and vendors listed in the request have already been checked against the suspended or debarred list prior to issuance of the funds. If a sub-grantee or vendor has not been previously approved, they will be checked against the debarred list before funds are awarded. Documentation of the County's review will be maintained in each project file. Project files will be reviewed semiannually to ensure verification of vendors is completed.